

UNIT 69 PAYMENT OF INDIRECT COSTS

_____ has satisfactorily completed on-the-job training in the Part or Parts of this Unit specified below.

Duty	Adjust billing rates and establish final indirect cost rates.
Conditions	Given a cost reimbursement contract.
Overall Standard(s)	Authorize payment of no money in excess of or less than the amount to which the contractor is entitled under the terms and conditions of the contract. Payment conforms to agency policies and the Prompt Payment Act.

Evaluator	Name	_____
	Title	_____
	Date	_____

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DOCUMENTATION OF OJT ASSIGNMENT(S)	
Description of Assignment:	
Evaluation:	
Completion Date:	

As needed, insert additional pages to record OJT assignments.

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Policies

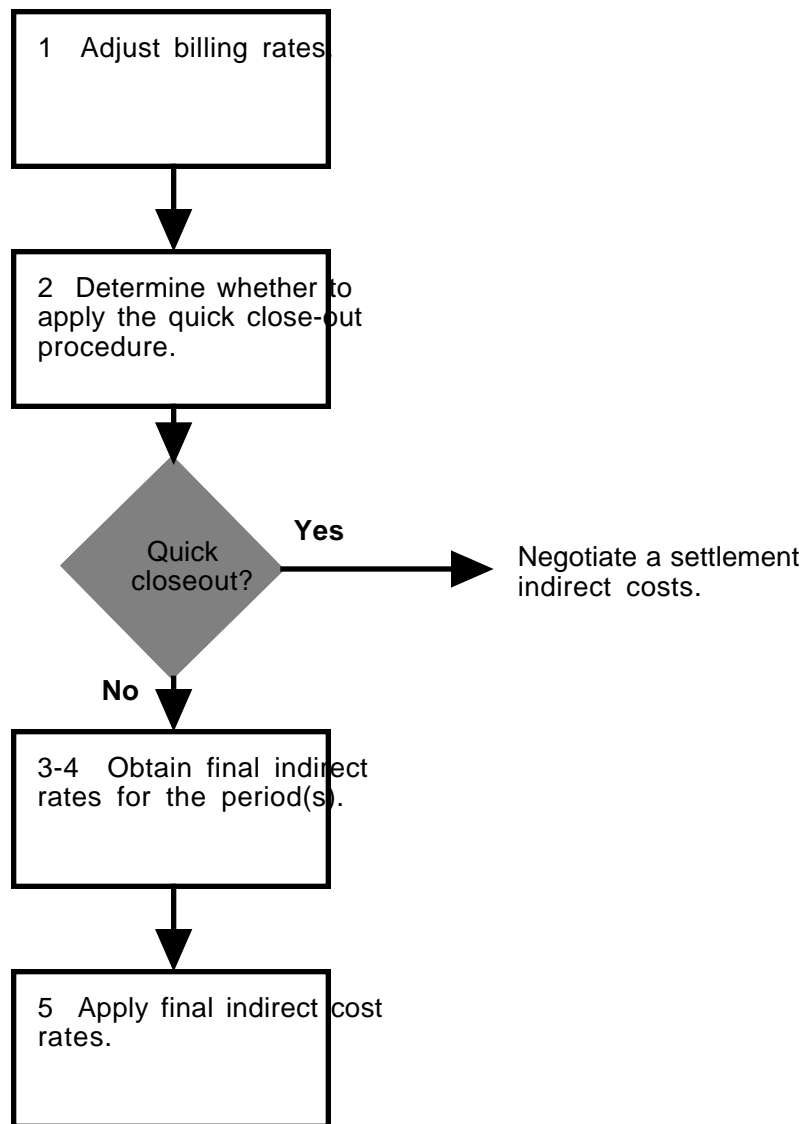
<i>FAR</i>	<i>Agency Suppl.</i>	<i>Subject</i>
42.7		Indirect cost rates.
52.216-15		Predetermined indirect cost rates (cost reimbursement R&D contracts with educational institutions).
52.216-16 and 216-17		Payment under fixed price incentive contracts.
52.216-26		Payments of allowable costs before the definitization of letter contracts.
52.232-1 thru 232-3.		Payment clauses.

Other KSA's

1. Commercial Law and Quantitative Analysis.

Other Policies and References (Annotate As Necessary):

Payment Of Indirect Costs



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Tasks	Related Standards
1. Adjust billing rates.	1. Prospectively or retroactively revise billing rates to prevent substantial overpayment of under payment of indirect costs over the course of the contract.
2. Determine whether or not to apply the quick-close out procedure. Steps for quick closeouts: <ul style="list-style-type: none"> • Obtain the contractor's proposed rates and supporting data. • Prepare the Government 's position on the proposed rates (per Unit 40). • Negotiate (per Units 43-45) and modify the contract. 	2. Use the "quick close-out" procedure at FAR 42.708 to settle indirect costs for a specific contract in advance of a determination of final indirect cost rates, when: <ul style="list-style-type: none"> • The contract is physically complete, • The amount of unsettled indirect cost to be allocated to the contract is relatively insignificant (per the criteria in 42.708(a)(2)), and • Agreement can be reached on a reasonable estimate of allocable dollars.
3. Identify the cognizant agency and official (either a contracting officer or auditor) responsible for establishing indirect cost rates for the business unit.	

Certification of Indirect Cost Proposals

\$ Section 42.703-2 extends requirements for contractor certification of indirect cost rates (both billing and final) to the civilian agencies. Pursuant to 10 U.S.C. 2324(h), the Department of Defense already determines or negotiates contractor indirect cost rates on the basis of a certified proposal. Basically, contracting officers may not agree to billing or final indirect cost rates unless the contractor has certified (using the clause at 52.242-4, Certification of Indirect Costs) that:

- All proposed costs are allowable
- None are unallowable, AND
- All costs included in the proposal are properly allocable to Government contracts on the basis of a beneficial or causal relationship between the expenses incurred and the contracts to which they are allocated in accordance with applicable acquisition regulations. [§42.703-1 and 52.242-4, FAC 90-31, Case 94-752]

\$ The head of the agency or designee may waive the certification when in the interest of the United States. However, they must put the reasons for the waiver in writing and make those reasons available to the public. For example, waivers might be appropriate for contracts with foreign governments, international organizations, State or local governments subject to OMB circular A-87, educational institutions subject to OMB circular A-21, and

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Tasks

Related Standards

non-profit organizations subject to OMB circular A-122. [§42.703-1, FAC 90-31, Case 94-752]

\$ If necessary for continuation of the contract, contracting officers can unilaterally establish the rates if the contractor fails to certify its proposal for billing or indirect cost rates. [§42.703-1, FAC 90-31, Case 94-752]

4. Obtain from the cognizant agency the final indirect cost rates for the period or periods during which the contract was in effect.	
5. Apply the final indirect cost rates in establishing the final contract price.	

Determining Final Indirect Cost Rates

\$ If the contracting officer is responsible for determining final indirect cost rates, the FAR prohibits the contracting officer from resolving any questioned costs until obtaining—

- Adequate documentation on the costs; and
- The contract auditor's opinion on the allowability of the costs.

The FAR further advises contracting officers, whenever possible, to invite the contract auditor to serve as an advisor at any negotiation or meeting with the contractor on the determination of the contractor's final indirect cost rates.

Finally, the FAR adds a specific requirement that the contracting officer notify the contractor of the individual costs which were considered unallowable and the respective amounts of the disallowance. [§42.705-1, FAC 90-31, Case 94-754]

\$ The FAR now requires that contracting officers use, not merely take into consideration, established final indirect cost rates in negotiating the final price of fixed-price incentive and fixed-price redeterminable contracts and in other situations requiring that indirect costs be settled before contract prices are established. [§42.703-1, FAC 90-31, Case 94-754]